

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

939

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT:

IMPROVEMENTS ARE NEEDED IN THE
MANAGEMENT AND ADMINISTRATION
OF LOAN AND GRANT PROGRAMS

OCTOBER 1980



California Legislature

Joint Legislative Audit Committee

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STATE CAPITOL
SACRAMENTO 95814
(916) 445-7380

925 L STREET
SUITE 750
SACRAMENTO 95814
(916) 445-0255

S. FLOYD MORI
CHAIRMAN

SENATORS
ALBERT RODDA
PAUL CARPENTER
JOHN NEJEDLY
ROBERT PRESLEY

ASSEMBLYMEN
S. FLOYD MORI
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LEROY GREENE
BRUCE NESTANDE

November 3, 1980

939

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's report concerning improvements needed in the Department of Housing and Community Development's management and administration of loan and grant programs.

The auditors are Eugene T. Potter, Audit Manager; Richard C. Tracy; Martha H. Valdes; Sylvia Hensley; and Karen Kahler.

Respectfully submitted,

S. Floyd Mori
S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

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SUMMARY

We have reviewed three loan and grant programs administered by the Department of Housing and Community Development (HCD). The HCD has made 68 individual loans and grants valued at \$7.8 million in state funds. Departmental records show that these awards have been made to assist in the development of 2,873 homes for families with low and moderate incomes. Of the homes under development, 1,744 are complete or are in construction, and the remaining 1,129 are in pre-construction phases. In addition to the \$7.8 million in state funds, there has been over \$90 million in contributions and matching funds from the Federal Government and from other sources for the 68 projects covered by the audit. To date, there have been no loan defaults or foreclosures, although there are numerous cases of late payments and loan extensions.

During our review, we found many problems in the management and administration of the loan and grant programs. These problems relate to the process for allocating and disbursing funds, the procedures for monitoring and evaluating loan and grant activities, and the reporting of program accomplishments to the Legislature.

We found that the HCD lacks sufficient systems and procedures to ensure full compliance with program statutes, regulations, and procedures. Most of the loans and grants we reviewed exhibited compliance problems in one or more areas. The HCD, for example, allocates funds to some projects without requiring them to meet disbursement requirements. The department also does not always ensure that loans are adequately secured or that projects adhere to conditions established by loan and grant committees. Because of these weaknesses, the HCD cannot ensure that projects use funds in accordance with contract agreements and program regulations. Nor has the HCD disbursed funds in a manner that controls costs and minimizes financial risks to the State.

Further, our review indicated that the HCD does not routinely enforce reporting requirements for projects and has not developed performance standards to measure the progress of the loan and grant projects. Eighty-one percent of the loan and grant recipients we reviewed failed to submit progress reports as required under regulations and contract agreements. Moreover, many reports submitted were incomplete and did not assist the HCD in assessing and monitoring the progress, problems, and accomplishments of the projects. Most loans and grants did not include project planning dates or specific objectives against which to measure effectiveness. As a result of these problems, the HCD lacks sufficient information to

effectively monitor and evaluate the progress of projects or to assess program achievements.

Finally, the HCD has not fully and accurately portrayed the accomplishments of the loan and grant programs in its annual reports to the Legislature. These HCD reports cite planned rather than actual accomplishments; thus, the reports often overstate achievements. Reports also contain inaccurate information and questionable measures of effectiveness. Consequently, the Legislature does not receive complete and accurate information on the progress and effectiveness of the HCD's loan and grant programs.

Although the HCD has recognized many of the problems detailed in this report and has taken some corrective action to improve administrative procedures and management controls, additional improvements are needed. These improvements are of particular importance in view of recent state legislation that increases the responsibilities and funding for conducting financial assistance programs.

To more effectively administer its loan and grant programs, we recommend that the Department of Housing and Community Development adopt these improvements:

- Develop and implement comprehensive systems and procedures for reviewing loan and grant applications and for disbursing funds;

- Institute uniform procedures to monitor and assess the effectiveness of projects;
- Accurately report program accomplishments to the Legislature.

These recommendations are fully stated on pages 34 and 35.

INTRODUCTION

In response to a request from the Joint Legislative Audit Committee, we have reviewed selected loan and grant programs administered by the Department of Housing and Community Development (HCD). This review was conducted under the authority vested in the Auditor General by Sections 10527 and 10528 of the Government Code.

Loan and Grant Programs

The Health and Safety Code requires the HCD to assist in developing and implementing state housing policy. The department implements this policy, in part, by conducting ten major loan and grant programs established by state legislation. These programs provide financial assistance to local housing sponsors to promote and provide safe, sanitary, and affordable housing to California citizens, particularly those receiving low and moderate incomes. Our review focused on the process for administering these activities.

Specifically, this report addresses the management and administration of three programs:

- Farmworker Housing Grant Fund -- This program provides up to 50 percent matching grants for the development and rehabilitation of housing for agricultural employees with low incomes.
- Housing Predevelopment Loan Fund -- This program provides loans for the preliminary costs of developing housing for persons with low to moderate incomes in rural areas.
- Urban Housing Development Loan Fund -- This program offers loans for the preliminary costs of developing housing for persons with low to moderate incomes in urban areas.

Appendix A provides a complete listing of the HCD's major financial assistance programs, their purposes and funding levels, and the number of loans and grants each has made.

Organization and Staffing

The Division of Community Affairs within the HCD has principal administrative responsibility for loan and grant programs. Located in Sacramento, the division was budgeted for

approximately 150 employees in fiscal year 1979-80 and administers ten state financial assistance programs. Four staff are assigned to administer the three programs reviewed in this report. Division staff review and evaluate loan and grant applications, negotiate contract agreements, disburse funds, and monitor and evaluate program accomplishments. The Director of the HCD is responsible for approving or denying loans and grants after receiving recommendations from loan and grant committees and division staff.

Program Accomplishments

From July 1, 1977 through June 30, 1980, the division awarded 248 loans and grants valued at approximately \$13.6 million to eligible recipients, such as local governments, housing authorities, nonprofit organizations, and private individuals.* These recipients used the funds for a variety of purposes: new construction for rental and ownership by persons with low incomes, rehabilitation of apartments and rental units, purchases of land in urban and rural areas for low-income housing, and predevelopment costs associated with housing construction and rehabilitation.

* The \$13.6 million does not include federal funding.

Program Administration

The HCD administers the loan and grant programs in four major stages:

- Review, evaluation, and approval of loan and grant applications;
- Development of loan and grant contract agreements and disbursement of funds;
- Monitoring of loan and grant activities;
- Assessment of loan and grant program accomplishments in annual reports to the Legislature.

A description of each of these stages will clarify the process of administering the loan and grant programs. The first stage begins with program staff evaluating a loan or grant application. The staff assess the application for compliance with statutes and regulations, determine whether the project is feasible, evaluate the need for the proposed housing project, and decide whether the housing sponsor can successfully complete the project. After their review, program staff submit evaluations and recommendations to loan or grant committees composed of department officials and public members. The Director of the HCD approves or denies each application based upon advice from the loan or grant committee.

After the funding is approved, program staff negotiate a contract agreement with the housing sponsor and then disburse the funds. The contract agreement lists interest rates, reporting requirements, fund disbursement procedures, and special conditions established by the loan and grant committees. The agreement also includes the funding level, an itemized budget of approved expenses, and the number of housing units for persons with low to moderate incomes the loan or grant will assist. Each contract agreement is reviewed by the HCD's legal and contract staff and approved by the Department of General Services. To receive the loan or grant, sponsors must request funds in writing and in accordance with approved budget amounts. The request must be accompanied by an invoice, bid, or contract which supports the need for the funds.

So that the HCD can monitor loan and grant activities, loan and grant recipients are required to submit progress reports which detail problems and funding needs. If problems occur, recipients may request assistance from program staff. Recipients must also submit a final report when the loan has been repaid or when the development is completed. This report must provide information on the outcome of the project and the sponsor's performance.

In the final stage of administering the loan and grant programs, the HCD is required to develop and submit annual reports to the Legislature. These reports, intended to

demonstrate the department's progress and accomplishments in meeting legislative objectives, include data such as the number of housing units and people assisted, the completion status of housing projects, and an assessment of progress and effectiveness.

Scope and Methodology

The purpose of our review was to assess the HCD's administration and management of loan and grant programs. Specifically, we reviewed procedures for administering loans and grants to determine compliance with program requirements and to evaluate the adequacy of administrative systems and management controls. We did not assess the value of the programs or the benefits of the projects funded.

In conducting this examination, we reviewed three of the HCD's ten financial assistance programs. We did not review all of the loan and grant programs because of the relative newness of some and the small funding levels of others. In addition, we examined the department's loan and grant files, accounting and program records, and management and annual reports; we also interviewed program and management officials. We did not test accounting records and transactions at the loan and grant project sites.

We reviewed 68 completed and ongoing projects comprising 48 loans and 20 grants valued at \$7.8 million. This sample represents over 25 percent of all loans and grants awarded by the HCD during the last three fiscal years and over 50 percent of the funding.

CHAPTER I

IMPROVEMENTS ARE NEEDED IN THE MANAGEMENT AND ADMINISTRATION OF LOAN AND GRANT PROGRAMS

In reviewing the Department of Housing and Community Development's management and administration of its loan and grant programs, we noted these problems:

- The HCD has not ensured full compliance with statutes, regulations, and procedures relating to the use of loans and grants;
- The HCD does not adequately monitor and evaluate the activities of loan and grant recipients;
- The HCD has not accurately portrayed the accomplishments of its loan and grant programs in annual reports to the Legislature.

These problems stem from weaknesses in the administrative system which controls and manages program activities and from the HCD's failure to comply with existing regulations and procedures. The remainder of this report details the problems found during our review, and the final chapter includes our conclusions and recommendations for improvements.

FREQUENT NONCOMPLIANCE
WITH PROGRAM REQUIREMENTS

The Department of Housing and Community Development needs to improve its procedures for approving loans and grants and for disbursing funds to projects. Our review disclosed that 57 of the 68 loans and grants (84 percent) reviewed did not comply with program statutes, regulations, and procedures. For example, the HCD allocated funds to some projects without requiring them to meet disbursement requirements. Other loans to projects were not adequately secured as required by program statutes and regulations. In other instances, the HCD failed to adhere to special limitations and conditions imposed on loan and grant funds. As a result, the HCD has not ensured that its funds are disbursed and used for purposes allowed by program regulations or intended by contract agreements. Neither has HCD disbursed funds in a manner that controls costs and minimizes financial risks to the State.

Problems with Disbursement
of Loan and Grant Funds

We found that projects within the programs reviewed often did not meet disbursement requirements. Specifically, 33 out of 68 projects (49 percent) were allocated approximately \$1.7 million without documenting the obligations incurred or meeting the special conditions established by the loan and grant committees. Thus, the HCD cannot verify that in these

cases projects used funds in accordance with program regulations and contract agreements.

Program regulations and contract agreements specify conditions which must be met before loan and grant funds are disbursed. For instance, funds should be disbursed as needed and must be requested in writing in accordance with approved budget items. Requests for funding must be accompanied by an invoice, bill, contract, or bid which supports the obligation incurred or about to be incurred. Further, all special conditions set by loan or grant committees must be met.

These conditions were established to ensure that sponsors receive funds in accordance with an approved contract agreement and that they use funds only for those purposes approved by the HCD and allowable under program statutes and regulations. Also, the conditions serve to motivate sponsors to comply with special conditions established by the loan and grant committees.

Although the department's regulations and loan and grant contracts emphasize these requirements for disbursing funds, the programs we reviewed did not have formal written procedures and administrative requirements detailing the process for allocating funds. Department staff told us that

they attempt to allocate funds in accordance with regulations but do not have a formal system that describes the steps in the disbursement process.

We found several instances in which the HCD released loan and grant funds before sponsors met disbursement requirements. In one instance, a grant totaling \$25,000 was disbursed to a nonprofit housing sponsor to build carports for a low-income housing project. The HCD released the funds without first receiving invoices or other evidence to support the need for the funds. Thus, the HCD did not assure itself that these funds were used for purposes allowable under program statutes and in accordance with regulations consistent with grant committee conditions.

In a similar case, the HCD disbursed a \$35,000 loan to cover a sponsor's architectural, engineering, and land survey costs without confirming that funds were used for the approved expenses. Program staff could neither produce invoices, contracts, or other evidence to support the disbursal nor offer sufficient proof that the funds were used for the purposes approved under the loan agreement.

To assure that funds are used for purposes intended under program statutes, the HCD should improve its systems for managing and controlling fund disbursements. HCD officials have acknowledged problems in disbursing funds and have recently developed new forms and procedures to strengthen and improve fund disbursement.

Questionable Security
for Loan Commitments

In reviewing loans to projects, we found that 8 out of 48 loans were not adequately secured as required by program statutes and regulations.* We noted that approximately \$394,000 of committed loan funds were not adequately secured. Inadequate security on loan commitments could jeopardize departmental funds as well as the State's financial interest; furthermore, it could reduce the resources available to provide loans to potential sponsors of housing for persons with low to moderate incomes.

Program statutes and regulations require each loan to be secured in a manner that adequately protects the financial interests of the department and of the State. Security may include mortgages or first deeds of trust.** Other forms of

* For the purposes of this report, security refers to property or holdings pledged to the State to assure the repayment of a loan.

** Deeds of trust convey to a trustee the title to property as security for the payment of a debt.

security may include an assignment of interest in work products, an assignment of land purchase options, or an assignment of loan proceeds from permanent financing. In an assignment of interest, the sponsor receiving the loan agrees to transfer certain products, options, or proceeds to the State in the event that the loan cannot be repaid.

During our review, we found that some loans lacked adequate security to fully protect the financial interests of the department. For example, a \$49,910 predevelopment loan to one project for consultant, architectural, and engineering expenses was secured by an assignment to the HCD of all architectural drawings and products and a pledge that the \$49,910 would be repaid from permanent financing when obtained. When the project sponsor was unable to obtain permanent financing, only \$40,000 in architectural products remained as security on the \$49,910 loan. Thus, in our opinion, approximately \$10,000 of this predevelopment loan is not adequately secured.

Another instance of inadequate security for a loan concerns property which should have increased in value as a result of a zoning change. In anticipation of a zoning change, the HCD approved and disbursed a \$78,000 loan for the acquisition of land having an appraised value of \$26,000. The loan was secured by a first deed of trust on the land. When

the zoning change was not obtained, the value of the land that had been purchased for \$78,000 remained at \$26,000. As a result, \$52,000 of this loan is not adequately secured by the first deed of trust; moreover, without the zoning change, the project will not proceed as planned.

Unless loan commitments are adequately secured, the State's financial interest may be jeopardized. Also, if loans cannot be repaid, the funding for loans to potential sponsors of low-income housing could be curtailed.

Failure to Comply with
Loan and Grant Limitations
and Committee Conditions

We found that the HCD does not ensure that loans and grants comply with special limitations and conditions established by statutes, regulations, and committees. In a review of 68 loans and grants, we noted that 34 of these failed to comply with regulatory limitations and that 28 did not meet loan and grant committee conditions. Some sponsors receiving loans were not charged required fees or have not paid annual interest on the loans as specified by loan committees. And in awarding grants, the HCD has not always documented that recipients can supply matching funds. Some of these instances of noncompliance have contributed to increased costs or loss of income for the programs.

Program statutes, regulations, and loan and grant committees specify certain limitations and conditions on the use of program funds. These limitations and conditions primarily are designed to ensure compliance with legislative intent, to control program costs and expenditures, and to protect the integrity of program funds. Certain regulations, for example, limit loan amounts for various purposes such as consultative and legal fees and architectural and engineering services. These regulations are intended to control program costs and to ensure that approved loans are necessary and reasonable. Other regulations specify that interest be charged on all loans disbursed to local sponsors. The loan committee may waive this requirement. However, if the committee waives the interest, it must charge a loan origination fee that defrays the lender's costs of servicing the loan. In addition, grant regulations require that sponsors provide matching funds in an amount at least equal to the amount of the grant.

Loan and grant committees also set limitations and conditions on the use of program funds. These conditions may include types of security on loan commitments, specific deadlines for completing project goals, and loan terms and interest amounts.

Several of the loans and grants we examined did not comply with program statutes and regulations relating to loan origination fees, limitations on funding levels, and

documentation for matching grant funds. We found, for instance, that a loan committee waived the interest payments for a \$50,000 loan and subsequently required that the sponsor pay a loan origination fee totaling 2 percent of the loan amount. This loan was disbursed and repaid; however, the origination fee was never charged. Thus, the loan fund lost income of \$1,000.

In another instance, we noted that the HCD exceeded funding limitations set by program regulations. Although regulations limit loans for legal fees to \$2,000, one project received \$5,000 to pay for legal services. Moreover, \$1,500 of this loan was disbursed without an itemized billing. According to HCD staff, the limitation requirement was simply overlooked. The loan committee subsequently approved the loan amount exceeding the limitation. Further, we found no documentation that sponsors supplied matching funds for 5 out of 20 grants we reviewed. Neither could staff of the HCD confirm that these funds existed.

We also noted in several cases that loan committee requirements were not met. In one case, a \$50,000 loan was approved and disbursed for a two-year term at 7 percent interest. The loan committee required that the sponsor make annual interest payments--a condition that was stipulated in committee minutes and in the letter of loan commitment sent to

the applicant. We found that, despite this condition, the sponsor has paid no annual interest. Consequently, approximately \$7,000 in interest is due to the loan fund.

Generally, we found that these problems resulted from administrative weaknesses or from the failure to follow established procedures. The HCD should ensure that projects are funded according to regulatory limitations on fund use and conditions specified by the loan and grant committees.

INADEQUATE REPORTING AND MONITORING

The Department of Housing and Community Development does not effectively monitor its loan and grant projects. The HCD has not routinely enforced reporting requirements for projects nor has it developed monitoring procedures and performance standards to systematically measure the progress of the loan and grant projects. As a result, the HCD does not gather sufficient information to assess project progress, to identify problems, or to ensure that projects comply with program requirements. Below we further develop these reporting and measurement weaknesses.

Program regulations and contract agreements require loan and grant recipients to periodically submit to the HCD reports (1) detailing the project's progress in accomplishing loan and grant objectives, (2) indicating its financial status and projected needs for additional funds or technical assistance, and (3) describing any project problems. In addition to providing these interim reports, loan recipients are required to submit a final report on project accomplishments when the loan period has ended. This final report should include information on the number of housing units assisted, the incomes of residents, and the monthly mortgage or rental costs of the housing units.

According to HCD staff, these reporting requirements are designed to provide information on project achievements and to assist in monitoring compliance, use of funds, and progress. Staff told us that they also monitor loan and grant projects by conducting site visits and by telephoning project sponsors.

Problems with
Project Reports

The HCD does not adequately enforce project reporting requirements. We reviewed 68 projects and found that for 55 of these sponsors had failed to submit the number of reports required under contract agreements. For 21 of the 55 projects, no reports had been submitted. Also, many of these reports were submitted late and sometimes failed to answer all reporting items.

In addition, we reviewed 48 loans. Although the loan periods for 21 of these had ended, sponsors of only 8 loans had submitted required final reports on project accomplishments. One project sponsor, for example, had submitted only 1 of the 19 monthly reports that are required. This report was not only submitted late but was also incomplete since it lacked detailed information on funding needs and accomplishment of project objectives.

Another project sponsor submitted two of six reports during the project's original two-year term and a report at the end of the term. This final report provided data on the number of units assisted but omitted information on the incomes of households occupying the units and the monthly mortgage rates of those units. Had this data been available, the HCD could have more easily apprised the project's effectiveness in serving persons with low incomes.

Because project sponsors do not provide complete, timely reports, program staff of the HCD do not have adequate information on the progress and accomplishment of funded projects. Program staff state that they have not adequately enforced reporting requirements. They indicated, however, that they have recently implemented procedures to ensure that sponsors for each loan and grant project submit complete and timely reports as required by contract agreements. Specifically, the grant program has developed a reporting instrument that requests specific information on project activities. Furthermore, grantees are now required to submit a final report when construction projects are completed.

Lack of Progress and Effectiveness Measurement

The HCD cannot easily assess the progress of projects funded by individual loans and grants because performance objectives and project milestones are often undeveloped.

Contract agreements and loan and grant applications rarely contain schedules for completion of various project objectives and normally lack criteria for judging effectiveness. Of the 68 loans and grants we reviewed, 37 of the applications lacked specific performance milestones against which to measure the progress of the projects.

Although measuring the effectiveness of loan and grant projects is difficult because of the length of time involved and other variables, the department could develop better information on progress, accomplishments, and effectiveness. If the HCD developed a data base, project performance indicators and standards, and formats to measure them, it could more easily determine the progress and effectiveness of its programs.

In addition, although HCD program staff visit project sites and communicate with housing sponsors, these activities are not conducted in accordance with detailed, written procedures nor are they scheduled to assure that all projects are routinely monitored. Our review indicated that while some sponsors had frequent contact with HCD, others did not. Staff of the HCD did not adequately monitor some projects that had difficulty in accomplishing objectives. As a result, the HCD lost opportunities to assist sponsors in accomplishing project objectives.

The HCD's monitoring system should systematically review program activities to determine whether the programs are being implemented as planned. This system should identify causes, recommend solutions, and ensure that corrective action is implemented. At the time of our review, the HCD's monitoring system did not effectively carry out these requirements. Staff of the HCD recognized these weaknesses and stated that they were caused by inadequate staffing.

REPORTS TO THE LEGISLATURE
DO NOT ACCURATELY PORTRAY
PROGRAM ACCOMPLISHMENTS

The Department of Housing and Community Development's annual reports to the Legislature inaccurately portray the accomplishments of the loan and grant programs because they generally contain information on planned rather than actual accomplishments. As a result, these reports often overstate or inaccurately describe achievements. This problem may be due in part to the HCD's inadequate project monitoring and reporting procedures. In reviewing these annual reports, the Legislature does not receive a clear impression of program progress. This prevents it from effectively assessing the HCD's performance in assisting the development of low-income housing in California.

The HCD is required to submit to the Legislature annual reports detailing the progress and accomplishments of its programs. These reports must contain certain information, such as the number of housing units assisted through the HCD's programs and the income levels of assisted households. The reports also should include the number and dollar amount of loans and grants awarded to sponsors as well as information about sponsors' delinquent repayments and defaults (failures to repay loans). Finally, the reports should suggest recommendations to improve program operations.

In addition to including this required information, the HCD's annual reports also demonstrate the benefits of the loan and grant programs. One such measure of these benefits is the amount of financing each project sponsor is able to secure as a result of obtaining funding from the HCD. The HCD refers to this practice as leveraging additional financing. As an example, a \$50,000 HCD loan to purchase land for a low-income housing project may enable a project sponsor to secure \$2 million in construction financing from another source. The \$2 million is leveraged by the \$50,000 loan from the HCD; thus, \$1 in state funds has produced \$400 in additional funding. According to the HCD, leveraged funds are important because they significantly multiply the impact of the relatively small amount of HCD loans and grants.

Other measures the HCD cites to demonstrate loan and grant benefits include (1) increased employment and economic activity due to new construction, (2) increased property and sales taxes to local communities, and (3) expanding availability of housing.

Inaccurate Reporting

The HCD's annual reports to the Legislature do not accurately portray program accomplishments. These reports contain data on the number of housing units developed and the funding committed to projects. But the reports present as

actual achievements information that is based upon projected activities. The HCD cites planned achievements as actual accomplishments because it gathers data from loan and grant applications instead of from periodic project reports. As a result, reports to the Legislature often overstate both the number of housing units assisted by the programs and the amount of additional funds leveraged by funds from the HCD.

We found several instances in which reports did not accurately portray the accomplishments of programs. The Urban Development Loan Program reported to the Legislature in 1979 that approximately \$2 million in loans had leveraged almost \$35 million in other financing and that these funds had enabled the program to develop 916 units of housing for persons with low to moderate incomes. Our review disclosed, however, that the report overstated program accomplishments because the information presented was based on projected rather than actual activities. When the report was issued, only 560 units were being developed, not 916. Instead of \$35 million in other financing, the sponsor obtained \$20 million of other permanent financing. The HCD also overstated achievements in the 1978 report on the Farmworker Housing Grant Fund program. It stated that \$12.9 million in funding was leveraged from other funding sources and that 533 units were constructed and rehabilitated. Our review of the documentation for this claim indicated that

only \$7.5 million was leveraged and that only 376 units were assisted by the fund. In addition, subsequent grant cancellations and amendments reduced the number of total units to 289.

We found other examples of inaccurately reported program accomplishments. In one case, a program claimed 50 units of housing as a project achievement; in fact, the project did not receive permanent financing and was cancelled. In another case, 80 units of rehabilitated housing were cited as project accomplishments. Yet, as a result of the project, only 60 units were assisted.

We also question the validity of other information the department has reported to demonstrate the effectiveness of its programs. The 1978 report on the Rural Predevelopment Loan Fund suggested that one additional benefit of its loans was the employment generated in the construction industry. The report estimated this value at 25 percent of the total costs of development or \$5,933,750. However, 11 of the 15 projects funded in 1978 were self-help construction efforts in which most labor was provided not by the construction industry but by the person buying or renting the unit. Thus, the employment generated by this project was significantly overstated.

Further, annual reports simply omit some information on loan and grant performance. One of the more significant omissions relates to data on loan and grant extensions. We found that of the 68 projects we reviewed, 53 had completed contract performance periods. Thirty-four of these 53 projects had been extended beyond their originally specified periods of performance. The HCD routinely grants extensions to loans to prevent defaults and foreclosure. Although no loans have yet defaulted, many have received extensions on repayment periods and several are delinquent on monthly repayments. This information should be included in annual reports to the Legislature.

Without complete and accurate information on program accomplishments, the Legislature cannot adequately assess and evaluate the HCD's performance in assisting the development of low-income housing. In addition, future decisions on housing policy and funding needs require full and accurate information on the progress and accomplishments of the HCD's loan and grant programs, especially since the HCD's loan and grant programs will account for approximately \$100 million in expenditures in fiscal year 1980-81.

Inaccuracies found in the annual reports to the Legislature reflect weaknesses in the HCD's procedures for monitoring and evaluating project effectiveness. As noted in

the preceding section of this report, program staff do not routinely enforce reporting requirements and have not established performance standards and appropriate effectiveness measures. As a result, the HCD lacks adequate information for reporting on loan and grant programs. In addition, the HCD has not developed uniform reporting procedures to ensure that each program fully and accurately describes program activities. Management staff of the HCD have acknowledged some of these reporting problems and have indicated that they are planning corrective action.

CHAPTER 2

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

Our review has disclosed various problems in the Department of Housing and Community Development's management and administration of the three loan and grant programs we examined. The HCD does not ensure full compliance with program statutes, regulations, and procedures. We found, for example, that some project sponsors have received funds even though they did not meet disbursement requirements. Additionally, the HCD has not ensured that some loans are adequately secured or that projects have adhered to conditions stipulated by loan and grant committees. Further, our review indicated that the HCD has not fully enforced reporting requirements for projects nor has it developed procedures and criteria to measure the progress of projects. And lastly, the HCD's annual reports to the Legislature overstate program accomplishments because they contain information on planned rather than actual achievements. These problems have resulted from weaknesses in the HCD's system for administering loan and grant activities and from the department's failure to comply with existing regulations and procedures. The problems identified in the three programs may

be common to the HCD's other loan and grant programs since we noted these weaknesses in each of the programs and in most of the loans and grants reviewed.*

The HCD has recognized many of these deficiencies and is addressing them. The HCD is also planning to contract with a management analyst who will recommend additional administrative systems to assist in managing and administering the loan and grant programs. In addition, the department has recently added a contract officer and internal auditor to its administrative support staff. These positions were established to improve the control and monitoring of loan and grant projects.

RECOMMENDATIONS

To address these problems, we recommend that the Department of Housing and Community Development develop improved administrative systems and comply with existing controls and procedures. Specifically, the department should develop and implement comprehensive systems and written procedures for reviewing loan and grant applications and for disbursing funds. These procedures should ensure (1) that loans are adequately secured to protect the financial interest

* Appendix B summarizes the problem areas found in each loan and grant we reviewed.

of the State, (2) that funds are properly disbursed, and (3) that sponsors fully comply with loan and grant limitations and conditions to control costs and protect program integrity.

To monitor the progress of loan and grant projects, the HCD should institute uniform, written procedures to ensure that each loan and grant project contract contains performance standards, planning dates, and performance indicators and that projects are formally monitored through site visits, periodic assessments, and compliance checks. The procedures should also serve to enforce project reporting requirements.

And so that the Legislature receives accurate information on program accomplishments and effectiveness, the HCD should differentiate between actual and planned achievements in its annual reports. The department also should develop appropriate effectiveness measures that sufficiently demonstrate program benefits and that include complete data on program activities.

Respectfully submitted,


for THOMAS W. HAYES
Auditor General

Date: October 24, 1980

Staff: Eugene T. Potter, Audit Manager
Richard C. Tracy
Martha H. Valdes
Sylvia Hensley
Karen Kahler

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

921 Tenth Street
Sacramento, CA 95814
(916) 445-4775



October 21, 1980

Thomas W. Hayes
Auditor General
925 L Street, Suite 750
Sacramento, CA 95814

Subject: Response to the Auditor General's Report
"Improvements are Needed in the Management
and Administration of Loan and Grant Programs --
Department of Housing and Community Development"

Dear Mr. Hayes:

The State Department of Housing and Community Development (HCD) has received the Auditor General's report entitled "Improvements are Needed in the Management and Administration of Loan and Grant Programs," and offers the following reply:

The Department acknowledges the validity of the Auditor's criticisms, and is immediately proceeding to implement all of the Auditor's detailed recommendations. Indeed, in many important respects, implementation began internally within the Department a full year or more before the audit.

While the Department accepts the Auditor's recommended corrections, it stands behind the documented record of achievement of the audited programs. The audit shows that \$7.8 million in State grants and loans have been awarded to 68 projects to develop 2,873 homes for low and moderate income families. The cost to the State has been approximately \$3,000 per home, although this amount may ultimately be reduced by nearly half, since half of these funds have been dispersed as recoverable interest-bearing loans -- the remainder being grants. To date, there has not been a single default or foreclosure in the State loans, nor any suggestion of misappropriation or fraud. In fact, most of the audit's findings are technical in nature and do not reflect on the program results. This is significant in light of the fact that the loan and grant programs of the Department are intended to assist borrowers and grantees who do not have access to conventional lending sources, in many cases because they do not have adequate resources to obtain conventional loans. Thus, a certain element of risk is inherent in the nature of the programs, and must be accepted in order to achieve the goal of creating new housing opportunities which would not otherwise occur.

Of the homes under development, 1,744 are complete or in construction, and the remaining 1,129 are in preconstruction phases. The State funds have "leveraged" over \$90 million in contributions and matching funds from the federal government and other sources for the 68 projects covered by the audit. Thus for every State dollar committed, nearly \$12 in other funds have flowed into these projects, most of them from national sources outside of California.

This audit comes at a most opportune moment. Due to acute housing shortages in California, the Department has taken on major new responsibilities during the past two years. Anticipating the need for greater administrative controls and procedures, the Department has taken six major steps:

1. In August, 1979, the Department sought to establish a Deputy Director for Management Services position in recognition of the need for creation of necessary administrative and fiscal systems and procedures. The position was finally approved, effective July 1, 1980, and has been filled.
2. In November, 1979, the Department established a Contract Officer position in order to improve consistency, control, and comprehensiveness in loan and grant contracts and other departmental agreements. The position was filled in December, 1979. Since that time, written contract procedures have been prepared and contract monitoring processes instituted.
3. In August, 1979, the Department sought to establish its own internal Auditor position, whose principal responsibility was to develop and implement an on-going audit for each of the loan and grant programs. The position was approved effective July 1, 1980 and has recently been filled.
4. In October, 1979, the Department sought funding for a private sector Management Consultant to review all of the Department's management and control procedures. The study funds have been authorized (effective July 1, 1980), an outline prepared and a Request for Proposal (RFP) generated (see Attachment A). The RFP seeks systems to facilitate the administration, underwriting, and management information functions associated with the Department's loan and grant program.
5. In January, 1980, the Department further sought to improve the regulations for loan and grant programs, and in June, 1980, promulgated new regulations which prescribe creation of four committees to deal with the various programs. Included in the membership of each committee is a representative of the private

Thomas W. Hayes

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October 21, 1980

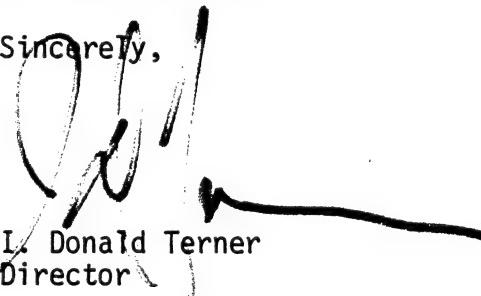
sector financial community, whose expertise is intended to strengthen the business management considerations in the loan and grant award process.

6. Finally, beginning in April, 1980, while working with the auditors, numerous improvements have been made in the operational procedures for the loan and grant programs including the promulgation of disbursement, reporting, and monitoring records, as shown in Attachment B.

The following comments address the major issues raised by the audit team and include documentary evidence of corrective action which has been taken to alleviate problems cited. A summary of the present status of each loan and grant reviewed during the audit is contained in Attachment C.

The Department is sincerely grateful to the Auditor General for its fairness, courtesy, cooperation throughout the conduct of this audit, and we look forward to your review of our improvements.

Sincerely,



I. Donald Terner
Director

Attachments

DETAILED RESPONSE TO THE REPORT OF THE AUDITOR GENERAL

I. "Frequent Noncompliance with Program Requirements"

A. "Disbursements"

The audit team discovered several problems with the disbursement of funds in the loan and grant programs, usually stemming from failure to document program progress or failure to receive necessary documentation supporting disbursements. In some cases, not all special conditions affecting disbursements were met. In an effort to correct these problems with disbursements, the Urban and Rural Loan programs have revised their disbursement procedures. (See Attachment B - Item 1) A similar process has been instituted for the Farmworker Grant Program, which is also attached. (B-2)

Once a loan or grant has been approved, a proposed disbursement record is prepared and permanently attached to the disbursement file. The record includes all special conditions attached to the loan, performance indicators, and timetables of expected performance, and a checklist indicating whether or not special conditions and performance schedules have been met. By using the disbursement record, program staff knows immediately whether or not to approve a disbursement, and what corrective action to take, if any.

In the first example cited, Tulare County Housing Authority, HCD confirms that a \$25,000 grant was made without complete supporting documentation. In this case, the housing had been constructed, and the grant was belatedly necessary to build carports required by the County before occupancy permits could be issued.

The second example cited, Church of All Nations, was the first Urban Predevelopment Loan committed and released. The incomplete records cited in this example have not been repeated in recent loans, and in fact, the full loan and interest were repaid to the State in June, 1980, and the project is under construction at the present time.

B. "Questionable Security"

In most cases, HCD's loans and grants are secured with Deeds of Trust over development sites or other property of the borrower. In some cases, such security is not available (in the case of land options, for example) and other forms of security are taken, such as assignments of architectural products.

The loan and grant funds established through the department are intended to assist borrowers and grantees who do not have access to conventional lending sources. In many cases, the borrowers do not have adequate resources to obtain conventional loans for their projects. Inherent in the administration of the loan and grant programs, then, is a certain element of risk, often indicated by less than 100% security, that cannot be avoided if the purposes of the loan and grant programs -- to be the lender of last resort -- are to be met.

Recently, the Department has strengthened its security position by obtaining recorded financing statements on personal products such as architectural drawings, but obtaining 100% security on all projects is not a realistic program objective. Each loan must be considered in context, and the relative risks and benefits of each loan assessed.

In the first example cited in the report, the audit team questioned security for a \$49,910 loan to a private nonprofit housing sponsor. Because no land purchase was involved in this loan, the only available security was the architectural products produced for the project, which was less than the full amount of the loan.

As mentioned above, this loan is an example of a calculated risk in which the overriding goal of the predevelopment loan programs -- assisting in the development of low-income housing -- takes precedence over 100% security. In fact, the project is proceeding, and full recovery of the loan is expected in the Spring of 1981.

In the second example cited, the Department loaned a private nonprofit organization \$78,000 to buy a parcel of land for a self-help development. Because of intense community opposition to the project, a needed zone change did not take place and unfortunately the project will not be built. The borrower, however, is honoring its contractual obligation and promissory note to the State, and has agreed to repay the debt in five annual payments. The first payment of \$15,600 was received in June of this year and the State will fully recover its loan by 1984. The borrower will eventually recover its repayments when the land is sold for other uses.

Of the eight loans and grants cited for inadequate security, one has been fully repaid, two have been partially repaid, and only two are experiencing difficulties serious enough to endanger loan repayment. The remaining three are on schedule.

C. "Failure to Comply with Loan and Grant Conditions"

As mentioned above, loan and grant conditions and proposed milestones are now recorded and checked before each disbursement is made, thus correcting the findings made by the audit team in this section. In addition, the regulations for each of the loan and grant programs are being revised to more accurately reflect the needs of the borrowers or grantees in each program.

Where it is necessary to reduce or waive interest charges to make the project affordable for low-income families, such documentation will be clearly spelled out.

With regard to the specific examples cited in the report: In the first instance, the \$3,500 overage in legal fees was first discovered by program staff and brought to the immediate attention of the Loan Committee. The Committee carefully reviewed the justification for this overage, and retroactively approved it. Although the Department regrets its error, the prompt correction of the mistake indicates the Department's level of program review and monitoring. In the second instance, staff noted the failure to collect interest and took corrective action at its August loan committee meeting. Interest on that loan is now due and payable on February 28, 1981.

The audit team also noted five instances in which matching documentation for the Farmworker Program was not available. Of those five, partial documentation on two is in the files, and documentation on the remaining three is forthcoming from grantees. Part of the confusion regarding

the matching requirement occurred because it was not clear when matching fund documentation had to be obtained, and matching funds actually spent. Staff is clarifying this policy and will submit evidence of a revised procedure when it is prepared.

These examples of corrective action indicate continued improvements in the Department's management systems. With the completion of the Management Study described earlier, other improvements can be expected.

II. "Inadequate Reporting and Monitoring"

A. "Problems with Project Reports"

The Department concurs with the audit team's findings of inadequacy in this area and has taken corrective steps to ensure adequate reporting and monitoring. Each loan and grant file now has a separate reporting folder, which contains individual reports and a checklist which covers each report for completeness, accuracy, and adequacy. (See B-3) Follow up calls and letters are made to borrowers and grantees who have not submitted their reports and all actions are expected in a timely manner.

The Department has also provided for a routine staff analysis which accompanies each progress report, and tests progress, accomplishments and effectiveness of each borrower (See B-4). Thus, corrective action and timely evaluation of projects is now done in a systematic manner. Where needed, staff recruits and supervises specialized technical assistance for particular projects. This assistance comes from private nonprofit agencies or through state departments as required.

In addition, a new reporting form has been introduced which records interim progress for the loan program (See B-5). In the past, it has been difficult to assess a project's status at the time the loan is repaid.

This report now asks project sponsors to document the amount and source of its permanent financing commitment, the number of units to be developed, and other pertinent data. When the project is finally completed and occupied, a final report is also required, which profiles actual costs and occupancy. Thus, the newly devised three-part reporting system indicates those projects which are in the predevelopment state, the construction stage, and those which are completed.

B. "Lack of Progress and Effective Measurement"

At the suggestion of the audit team, the loan and grant committees have adopted proposed timetables as part of their contractual procedures. These timetables and performance indicators are then used in making project disbursements and also in monitoring progress on individual loans and grants. The inclusion of project timetables in contracts gives both the Department and the borrower or grantee an objective measure by which to test program performance.

III. "Reports to the Legislature"

The audit team finds that reporting to the Legislature "inaccurately portrays the accomplishment of the loan and grant programs because they generally contain information planned rather than actual accomplishments." It has never been the intention of the Department to misrepresent its accomplishments, but certain misunderstandings have arisen because of a confused use of terms. For example, the Urban Housing Development Loan report of 1979 reports that 916 units of housing "are being developed."

Of these, 560 were actually under construction and the remainder were still

in the predevelopment phase. Future reports will clearly indicate the precise phase of each project -- predevelopment, construction, or completion.

Another question regarding the secondary benefits of the loan and grant program was raised. In calculating the employment and economic benefits of loan and grant dollars, the commonly accepted ratio of \$7.00 for every predevelopment dollar was used. This figure, generally used by the California Building Industry Association in calculating the construction trade's impact on the economy, is intended as a rule of thumb only, not as a precise indicator of economic impact. In certain instances, the dollar and unit amounts may differ because planned program activity needs to be modified during the course of development. In the future, where such modifications occur, HCD reports will reflect them.

A T I A C H M E N I S

- ATTACHMENT A - Request for Proposal Summary: Systems Development for Loan and Grant Programs. (The full Request for Proposal has been provided to the Auditor General and is available upon request from the Department.)
- ATTACHMENT B - Departmental Project Disbursement Request and Approval Forms, Project Progress Reporting Forms, and Project Monitoring Forms. (Because of their volume, these forms have not been included with the memo to the Auditor General. They have been provided to the Auditor General and are available upon request from the Department.)
- ATTACHMENT C - Construction status of each project which was reviewed by the Auditor General's staff and inventoried in Appendix B of the Auditor General's Report. The current stage of completion of each of those projects, including the number of units, is identified in this Attachment.

STATE OF CALIFORNIA
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Request for Proposal Summary

TITLE: Systems Development for Loan and Grant Programs

PURPOSE: To conduct a comprehensive assessment of Departmental procedures for administering loan and grant programs, present recommended actions for systematizing the programs' underwriting and management information processes, and publish a manual incorporating adopted recommendations into a set of instructions for on-going use by Departmental staff.

BUDGETED FUNDS: \$50,000

TENTATIVE SCHEDULE: November 11, 1980 - Proposers Conference
November 25, 1980 - Proposal due before 5:00 p.m.
January 5, 1981 - Projected contract start date
June 1, 1981 - Projected contract end date

REQUEST: Copies of the Request for Proposal can be obtained from:

Contracts Office
Department of Housing & Community Development
921 10th Street
Sacramento, CA 95814
Telephone: (916) 323-5746

BACKGROUND: The Department of Housing and Community Development has as its primary objective the development of affordable housing and suitable living environments for California residents. The principal focus is to increase housing availability for: low and moderate income families, the elderly, the disabled, and specific populations such as Indians and migrant workers. Since 1978-79, through enactment of enabling legislation, the Department has implemented numerous local assistance programs intended to increase housing stock in the State. These programs which provide loans and grants to local jurisdictions and private entities for housing predevelopment, construction and rehabilitation purposes have dramatically augmented the Department's budget, from \$8.6 million in 1978-79 to \$94.1 million for 1980-81. This project will focus on the process and methodologies for administering those funds.

The contractor will have access to Department management, program managers and administrative staff during the conduct of the study. In addition, a recently released report of the Auditor General and related working papers critiquing select programs will be available as reference material.

OBJECTIVE: Systems development to meet the following requirements of management and staff:

- (1) Regularized, periodic process for assuring local awareness of potential funding availability from the various loan and grant programs.
- (2) Up-to-date Departmental information on available program funds, the effect of accumulated interest within each fund source, the number of loans and grants, their value and actual expenditures to-date, individually and collectively, and the effect of repayments from a timing and a fund availability standpoint.
- (3) Consistent preapplication and/or final application procedures to improve Departmental efficiency and comprehensive evaluation to assure compliance with statutes and regulations upon award of loans and grants.
- (4) Clear understanding of the role and relationship of program and administrative staff, loan committee members and Departmental management.
- (5) Standards, before allocation decisions, regarding the adequacy of an appropriate form of security offered by applicants.
- (6) Expeditious method of finalizing agreements with local jurisdictions or community-based organizations following the decision to award a given grant or loan.
- (7) Consistent procedures regarding the loan and grant recipient's budget authority, including a process for budget development, revising budgets and obtaining necessary approvals.
- (8) System checks to avoid unnecessary contract extension and amendment actions.
- (9) Sensitive fiscal system, including disbursement procedures which assure cash flow to project recipients consistent with evidence of need.
- (10) Clear, concise, formal records of action at each stage of the loan and grant award process including the provision of project status, and construction status information following the period of completion of the loan or grant.
- (11) Exception data regarding repayment delinquency.
- (12) Criteria for financial and management audit of a recipient's performance.
- (13) Program evaluation data including measurements of performance such as funds and actual dollars leveraged for construction, assisted and non-assisted units constructed and/or rehabilitated, population served, rents paid by households assisted, income levels of population served and other information required or useful for inclusion in annual report regarding programs.

The attached grid summarizes the present status of each loan and grant reviewed during the audit. (Note: These figures do not correspond with the project summary on page one of this report, because only those projects evaluated are tallied, not the entire program portfolio.)

URBAN HOUSING DEVELOPMENT LOAN

	<u>Preconstruction</u>	<u>Construction</u>	<u>Completed</u>	<u>Terminated</u>
1			211*	
2			100	
3		75		
4		100		
5	25**			
6	100**			
7		75		
8	25			
9				20
10	20			
11	20**			
12		31		
13	87			
14		100		
15	13			
16	20**			
17	12			
18	100			
19	26**			
20				

* Indicated number of units

** Approximation. Project still being designed.

RURAL PREDEVELOPMENT LOAN

	<u>Preconstruction</u>	<u>Construction</u>	<u>Completed</u>	<u>Terminated</u>
21			30	
& 22				
23	44			
24	60			
25			30	
26			18	
27			32	
28		14*	5*	(31*/**)
29			31	
30		83		
31			40	
32			8	
33		68		
34	44			6
35				71
36		4		
37				
38	220			
39				50*
40			75	
41				60
42	10			3
43			48	
44		58		
45	42*			(8*/**)
46	100			
47	49			
48		100		

*These units are also receiving financing under the Farmworker Grant program.

**These projects were reduced in size from 50 to 19 units and from 50 to 42 units respectively at the time Farmworker Grant funding was sought. The 39 units are not counted as "terminated" in any compilation of these figures.

FARMWORKER GRANT FUND

<u>Preconstruction</u>	<u>Rehab/ Construction</u>	<u>Completed</u>	<u>Terminated</u>
49,50		60	
51,52	22	4	16
53			59
54,55			34
56			36
57		14*	5*
58	4		7
59	50		
60			50
61		36	
62			44
63		97	
64	12		
65			15
66	10		
67	42*		
68	14		(8*/**)

*These units also received funding under the Rural Predevelopment Loan Program

**These projects were reduced in size from 50 to 19 units and from 50 to 42 units respectively at the time Farmworker Grant funding was sought. The 39 units are not counted as "terminated" in any compilation of these figures.

LOAN AND GRANT PROGRAM ACTIVITY
 (In Descending Order of Dollar Amount)
 July 1, 1977 through June 30, 1980

<u>Program Name</u>	<u>Purpose</u>	<u>Number of Loans and Grants Awarded</u>	<u>Amount of Loans and Grants</u>
Rental Housing Construction Program ^a	Funds development of new rental units, not less than 30 percent for low-income housing.	-0-	(\$82 million allocation)
Homeownership Assistance Program ^a	Provides up to 49 percent of the purchase price of certain dwelling units to assist eligible low-income households.	-0-	(\$7.5 million allocation)
Farmworker Housing Grant Fund	Provides up to 50 percent matching funds for development or rehabilitation of housing for agricultural employees with low incomes.	22	\$4,424,075
Rural Housing Predevelopment Loan Fund	Loans for preliminary costs of developing housing for elderly or handicapped persons or persons of low income in rural areas.	47	\$3,741,623
A-1 Urban Development Loan Fund	Loans for preliminary costs of developing housing for elderly or handicapped persons or persons of low income in urban areas.	28	\$2,375,854
Deferred Payment Rehabilitation Loan Fund	Deferred payment loans to rehabilitate housing for persons with low to moderate incomes.	24	\$2,165,000
Land Purchase Fund ^a	Loans to purchase rural land for low-income housing.	-0-	(\$1 million allocation)
Low-Income Home Management Training Program	Grants to provide persons of low income with training in home management, maintenance, and ownership.	47	\$459,400
California Housing Advisory Service	Grants to establish advisory services on self-help construction or rehabilitation plus training and technical assistance.	18	\$375,000
Solar Energy Demonstration Loan Program	Loans of up to \$2,000 for solar hot water or space heating systems in homes damaged or destroyed by disaster for which a state of emergency was declared.	62	\$121,226

^a New program; no loans or grants yet awarded.

APPENDIX B

SUMMARY OF PROBLEM AREAS IN EACH
LOAN AND GRANT REVIEWED

<u>Loan or Grant Number</u>	<u>Dollar Amount</u>	<u>Improper Disbursement</u>	<u>Questionable Security</u>	<u>Violation of Loan or Grant Limitations</u>	<u>Disregard Committee Conditions</u>	<u>Incomplete Performance Standards</u>	<u>Inadequate Reporting and/or Monitoring</u>	<u>Extensions of Performance Period</u>
<u>Urban Development Loans</u>								
1	\$ 37,881						X	
2	\$ 52,000	X			X	X	X	
3	\$ 50,000						X	
4	\$ 50,000	X					X	X
5	\$ 50,000	X			X	X	X	X
6	\$200,000						X	
7	\$ 50,000	X		X	X	X	X	
8	\$ 49,910		X				X	X
9	\$ 39,000	X	X	X	X	X	X	X
10	\$389,000	X		X	X	X	X	
11	\$137,850			X	X	X		
12	\$ 27,550			X		X	X	
13	\$ 28,700			X			X	
14	\$239,000			X			X	
15	\$ 44,000	X		X			X	
16	\$200,000				X	X		
17	\$235,000		X			X	X	X
18	\$ 40,000		X	X	X	X	X	
19	\$ 20,000			X			X	
20	\$ 53,000	X	X	X	X	X	X	
<u>Rural Predevelopment Loans</u>								
21	\$ 21,500			X		X	X	
22	\$ 59,000					X	X	
23	\$ 64,000					X	X	X
24	\$ 40,000	X		X		X	X	X
25	\$ 59,000	X			X	X	X	X
26	\$ 53,080				X		X	X
27	\$ 46,900					X	X	X
28	\$ 25,200	X		X		X	X	
29	\$ 40,000				X	X	X	
30	\$210,000	X					X	X
31	\$114,500	X					X	X
32	\$ 26,250			X		X	X	X
33	\$ 60,150	X		X		X	X	X
34	\$ 42,735	X					X	X
35	\$ 30,000	X		X			X	X
36	\$ 78,000		X	X	X	X	X	X
37	\$ 12,000						X	X
38	\$ 47,000	X		X		X	X	
39	\$ 52,500		X			X	X	
40	\$ 43,000	X		X			X	
41	\$100,000		X	X			X	
42	\$100,000						X	X
43	\$ 41,050					X	X	X
44	\$ 15,500						X	X
45	\$229,000			X	X	X	X	
46	\$ 7,500				X	X	X	
47	\$ 95,000					X		
48	\$270,000	X		X		X	X	X
<u>Farmworker Housing Grants</u>								
49	\$180,000	X			X		X	
50	\$125,161	X	X		X		X	
51	\$216,000	X		X	X		X	X
52	\$442,400	X		X	X		X	X
53	\$239,848	X						
54	\$ 26,106	X		X			X	
55	\$ 22,550	X		X	X		X	
56	\$ 31,200						X	
57	\$264,674	X		X	X	X		
58	\$229,130				X		X	
59	\$379,000						X	X
60	\$400,000							
61	\$442,000	X		X	X	X	X	
62	\$ 13,506	X			X		X	
63	\$500,000			X				
64	\$120,000	X		X	X	X	X	
65	\$ 25,000	X		X			X	
66	\$ 22,600		X	X				
67	\$ 50,000	X			X			
68	\$ 90,000	X		X	X			
<u>68</u>	<u>33</u>	<u>11</u>	<u>—</u>	<u>34</u>	<u>28</u>	<u>36</u>	<u>59</u>	<u>34</u>
100%	49%	16%		50%	41%	53%	87%	50%

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps